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6 August 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

SOVIET UNION

1. US Naval Attache treated discourteously in Leningrad:
Soviet authorities granted a request of the US Naval Attache to visit Leningrad 27 July to observe Navy Day but neglected to inform him that the date of that celebration had been changed. The Attache was ordered off a street car in a part of the city not defined as out of bounds. He was also prevented from approaching a public beach which he had arranged with Intourist to visit.

Ambassador Kennan views these incidents as "particularly offensive" because of the deliberate evasiveness and studied rudeness involved. He considers that cancellation of permission for Soviet officials in Washington and New York to visit nearby beaches would be appropriate retaliatory action. [redacted]

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EASTERN EUROPE

2. Ultimatum sent to Bulgarian troops on Greek territory:
According to the Greek Minister of National Defense, the Greek Government delivered a 48-hour ultimatum on 4 August to the Bulgarian troops remaining on Gamma Island in the Evros River to vacate the island. The Greeks will shell the island if the Bulgarians refuse to comply. [redacted]

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Comment: The Greek ultimatum follows a series of border clashes on 26 and 27 July following the landing of Bulgarian patrol forces on Gamma Island. The Greek Minister of National Defense anticipates that the Bulgarians will vacate the island without further incident.

3. Czech Minister of Heavy Engineering replaced to assume leadership of trade unions: Czech Minister of Heavy Engineering Gustav Kliment was released from his post on 2 August at

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his own request in order to assume the duties of chairman of the Central Trade Union Council, to which he was elected two weeks ago. Former Deputy Minister of Heavy Engineering Julius Maurer was appointed to replace Kliment. [redacted]

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Comment: Kliment held the post of Minister of Industry in the first cabinet following the Communist coup in February 1948. His area of jurisdiction has gradually been reduced as the number of economic ministries has increased.

He has been a member of the presidium of the Communist Party at least since early 1949 and with Zapotocky is one of the only two remaining presidium members closely associated with the Czech trade union movement. Kliment's election to the post of chairman of the Trade Union Council confirms the high priority placed on labor problems and the increasingly close affinity between labor, heavy industry and party in government policy.

4. New Ministry of Railroads set up by Czech Government: A new Ministry of Railroads was established by the Czech Government on 1 August. The Ministry of Transport will maintain responsibility for road, air and water transport. [redacted]

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Comment: This move attests the importance being placed on the Czech railroad transportation system. Primary emphasis since 1950 has been placed on increasing the carrying capacity of the east-west rail line linking Bohemia with Eastern Slovakia and the USSR.

Recent attempts to build up a merchant marine indicate the possibility that a Ministry of Sea Transport may be established in the near future.

5. Hungarian crop prospects dimmed by drought: The persistence of the drought in Hungary, according to the US Legation in Budapest, is accentuating the damage to corn, potatoes and sugar beets. [redacted]

Comment: The Legation estimated this spring that unseasonable weather damaged at least 15 percent of the corn crop. The present drought extends into Yugoslavia, where it has been estimated that a 20 percent loss will occur unless rain comes immediately. Rumors of a return to rationing,

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already current in Hungary in June, may prove to be valid, and the government's corn export program may suffer. Possibly more important, the much-stressed production of industrial crops appears to be threatened, while damage to the hay crop endangers the livestock production program.

Damage to the corn and potato crops in southeastern Hungary might provoke significant peasant resistance and force the government to suspend its indicated intention of stepping up collectivization this fall. Peasant resistance to grain collections at the threshing machines already has been apparent, especially in southeastern Hungary. The government has branded all reports of low crop yields as hostile propaganda.

6. Hungarian pig iron production lag continues: A conference of metallurgists, party members and union officials recently held at Diosgyor revealed that there has been a lag in the production of pig iron during the first seven months of 1952. Bad planning and irregular supply of iron ore and scrap metal were blamed for the situation. [redacted]

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Comment: Hungarian pig iron production is approximately 450,000 tons a year, requiring about one million tons of ore. Domestic production accounted for about 350,000 tons of ore in 1951, but the remainder comes mainly from the Krivoi Rog mines in the USSR. Although the ore is good, it is difficult to secure a regular and dependable supply for Hungary.

Hungary has made determined efforts to secure scrap metal from all world sources and has claimed success in its campaign for the collection of scrap at home. Obviously, however, scrap is in seriously short supply, as it is throughout the Orbit.

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FAR EAST

7. South Koreans force Japanese boats from "territorial waters": A South Korean Navy order of 17 July established patrols in waters south of Korea to stop smuggling and foreign fishing within the "Rhee line," established by the President on 18 January. These patrols captured two Japanese fishing boats on 26 July, but their immediate release was ordered by the ROK Chief of Naval Operations. Since that seizure, instructions have been issued directing patrol boats to force alien vessels beyond the "Rhee line" without actually taking possession. [redacted]

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Comment: Both Japan and the United States have refused to recognize President Rhee's unilateral declaration defining Korean territorial waters. The question of Japanese fishing operations off the Korean coast is one of the items which caused the disruption of the Korean-Japanese negotiations. This order may be an attempt to coerce the Japanese into a settlement favorable to the Koreans.

8. Chinese Communists deepening Pearl River channel: Hong Kong officials state that vessels with a 22½-foot draft can now negotiate the Pearl River to the port of Whampoa. This is 3½ feet deeper than in 1949, but the average ocean-going vessel still must reduce its draft by discharging part of its cargo onto barges in the Pearl River estuary. The Communists will reportedly continue dredging until the channel is 27 feet deep to accommodate most China-trade vessels. [redacted]

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Comment: Whampoa is the largest Communist port south of Shanghai, but few ocean vessels called there before the spring of 1951. Hong Kong officials have expressed alarm at the prospect of losing a large part of the colony's transit trade as a result of Communist channel and harbor improvements at nearby Whampoa and Canton.

9. Thai military leaders reported planning to replace Premier Phibun: Police Director General Phao and Army Commander General Phin are planning to remove Premier Phibun from office by engineering the resignation of the cabinet and forming a new one under a figurehead, according to reports received by the American Embassy in Bangkok. Phao would then succeed to the premiership within a few months.

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The Embassy comments that recent reports of Phibun's intention to resign may reflect his desire to foil Phao's plan by precipitating a conflict over the succession between Phao and General Sarit, the Bangkok garrison commander. The Embassy believes a crisis may be reached this month. [redacted]

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Comment: Information from other sources indicates an impending governmental crisis in Thailand. Phao's accession to the premiership would endanger the present stability.

10. Burmese to prevent return of Communist indoctrinated Chinese: The American Embassy in Rangoon reports that the Burmese Government is taking action to refuse re-entry permits to Burma-born Chinese students who have gone to China for indoctrination. The Embassy comments that the government recognized these returning students as a subversive threat and is taking this strong action despite reported protests of the Chinese Communist Embassy. [redacted]

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11. Chinese Communists reportedly oppose action against Nationalists in Burma: The Burmese press quotes a member of the Burmese delegation who attended the preparatory Asian Peace Conference in Peiping to the effect that Chinese leaders oppose active steps against the Chinese Nationalist forces in Burma. The Chinese Communists reportedly believe that the Burmese Government can handle the problem, and are against placing the matter before the United Nations.

The American Embassy in Rangoon comments that the Nationalists best serve Chinese Communist purposes by remaining where they are. [redacted]

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12. Karen Minister may resign from Burmese Government: The Minister for Karen Affairs in the Burmese Cabinet has told the American Embassy in Rangoon that she has become disillusioned with Burman leaders in the government and that she doubted their sincerity in expressing a desire for peace with the Karens. She has informed Premier Nu that she would resign if he persists in his plan to deprive the Karens of minority rights, and she has requested that Defense Minister Ba Swe stop the Socialist Party from undermining her political following.

The Embassy comments that her attitude is a marked change from the optimism she expressed last May and that it has

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probably resulted from fear of impending government attempts to Burmanize Karens and of Ba Swe's maneuverings.

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Comment: The Karen Minister has apparently arrived at the same conclusion as most other Karens that under the present Burmese Government they are doomed to become "hewers of wood and carriers of water."

13. Karen contacts with Chinese Nationalists reported: The leader of the Burma Democratic Party, a minor political group, has informed the American Embassy in Rangoon that one of his followers had visited the Chinese Nationalist base in northeast Burma in an attempt to get arms for the Karens. Three Karen leaders arrived at about the same time in search of arms, but were told that the Chinese had insufficient stocks of their own. The Karens were assured, however, that when World War III commences there will be plenty of arms for all.

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Comment: Other sources have reported Karen efforts to obtain arms from the Chinese Nationalists.

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NEAR EAST - AFRICA

15. Changes in the Iranian Army command: Six major changes in the Iranian Army command were announced on 4 August. According to the [redacted] a shift of two other generals may be imminent.

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Most of the officers relieved of duty have not been reassigned. Several of them are known to be anti-Communist or to have pro-Western sympathies. Their removal suggests that they are not in sympathy with the National Front. Government control of the army will be strengthened and the possibility of any army attempt to seize power will be decreased, while the Shah's position is further weakened. [redacted] 25X1 from: [redacted] 25X1

16. Allayar Saleh may be appointed Iranian Ambassador to US: The Embassy in Tehran reports that Allayar Saleh, a National Front leader, has been proposed as the next Iranian Ambassador to the United States.

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The Shah favored Saleh as Mossadeq's successor prior to the latter's resignation on 16 July. The proposal to send Saleh to Washington may be due to Mossadeq's desire to remove a possible rival from the Tehran political scene. [redacted]

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17. Egyptian Ambassadors in London and Rome to be recalled: Prime Minister Maher has informed the British Ambassador in Cairo that he has been unable to resist an army demand that the Egyptian Ambassadors in London and Rome be recalled. [redacted]

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Comment: Abdul Amr, Egyptian Ambassador in London, is considered able, and friendly to the British. Both he and Badr, Ambassador in Rome, have been closely associated with the Palace. Their removal may be due to this connection rather than to their pro-Western predilections.

18. French Communists arrested in Morocco: Two French members of the Moroccan Communist Party were apprehended in the act of distributing anti-French tracts. The propaganda, written in Arabic, called upon the Moroccan people to unite in the struggle to throw off the French yoke. Residency officials informed the American Consul in Rabat that because

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they were caught in the act, they will be rapidly brought to trial, sentenced, and, upon conclusion of their imprisonment, expelled from Morocco.

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Comment: Communist activity in Morocco has been limited to sporadic distribution of leaflets. During the past eight months, authorities have conducted a concerted campaign against Communism and all the important leaders have been either imprisoned or, if not bona fide Moroccan subjects, expelled.

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WESTERN EUROPE

19. US representatives doubt Berlin autobahn will be completely closed: American representatives in Berlin now consider it unlikely that the USSR would completely close the Berlin autobahn except as a blockade measure. They believe that the necessary repairs to the Elbe River bridge can be made while leaving one lane open for traffic at all times. [redacted] 25X1

Comment: If the autobahn were to be closed, alternate routes now used only by Germans could be made available to the Allies.

Although traffic over the autobahn continues at a constant volume, Soviet authorities have inaugurated a slowdown in truck inspections at border-crossing points with the backlog running as high as 100 trucks on 4 August.

20. French Communists uneasy over continued arrests in Toulon: The American Embassy in Paris considers that the French Communist Party fears the government's campaign more in the Toulon area than elsewhere, as indicated by a 4 August editorial in the party's daily Humanite. The paper accuses the government of plotting Fascist repression at the "dictate of American masters" and concentrates its attack on the Examining Magistrate at Toulon. [redacted]

Comment: Court inquiries into Communist activities continue in Toulon, where evidence was seized in June implicating the Communists in a conspiracy to overthrow the government.

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this evidence is strong enough to permit the government to outlaw the party. It is probable, however, that the government is primarily concerned with its counterpropaganda campaign and believes that outlawing the party would play into the Communists' hands.

The French Government has just decreed civilian representation on military courts in Paris and Toulon, presumably in preparation to prosecute civilians implicated in crimes involving military security.

21. Italy unlikely to meet defense and economic goals in next two fiscal years: Italy's defense program will fall \$60,000,000

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short of plans in 1953 and such expenditures will actually decrease in fiscal year 1954, according to MSA officials in Rome. Attainment of defense goals would require more rapid utilization of existing appropriations, greater provision for hard goods production, and larger appropriations for fiscal year 1954.

The American officials also believe that unless Italy makes 25X1 economic expansion the primary objective of economic policy, the OEEC goal of a 5 percent increase in the gross national product will probably not be achieved. [redacted]

Comment: Italian Treasury Minister Pella has steadfastly opposed the policy of considerable economic expansion. His present program is to utilize more effectively funds already available for defense and investments, to give priority to civilian investments, and eventually balance the budget. The failure so far to attain these objectives is due to administrative inefficiency as well as to a deliberate "holding back" to obtain greater American assistance.

Italian alarm over the \$55,000,000 decline in reserves since February is discounted by American experts because of the net increase of \$83,000,000 in reserves from fiscal year 1951 to 1952. In addition, substantial earnings are expected from American military expenditures in the present fiscal year.

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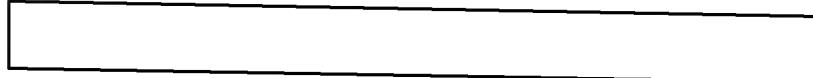


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TOP SECRET SUPPLEMENT

TO THE CURRENT INTELLIGENCE DIGEST



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EASTERN EUROPE

1. Invasion of Albania by Yugoslav-supported Albanian refugees reportedly planned: Details of a Yugoslav plan for an early invasion of Albania by some 6,000 Yugoslav-controlled Albanian refugees have been received in Albanian emigree circles in Rome, [redacted] The plan, 25X1 which has been passed on to the refugee commanders, calls for the "liberation" of the entire country, with the exiles organized into six groups, each with an assigned sector of operation.

[redacted] 25X1

Comment: Although the Yugoslavs have organized and trained numerous Albanians for subversive work in Albania and have sought the support of an Albanian exile group in Rome, there is no firm evidence of increased Yugoslav activity which would precede a campaign of this type. Western observers in Yugoslavia believe that the estimated 4,000 Albanian refugees in Yugoslavia have not been organized into tactical units or given military training.

Without an internal coup or rebellion, which is always possible, the refugees would require direct Yugoslav military support if a successful operation is to be launched against Hoxha's 45,000 men.

WESTERN EUROPE

2. Denmark seen opposed to USAF units on Bornholm: The American Embassy at Copenhagen believes that the Danish Government will refuse the use of the island of Bornholm for United States Air Force SHORAN sites. The present situation concerning the whole base question makes it most undesirable to propose the stationing of US air personnel on Bornholm at this time.

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Comment: Projected Danish-Norwegian-British naval maneuvers in the Baltic Sea in the vicinity of Bornholm have aroused the suspicions of the Russians, who have castigated the Danes for their permitting the establishment of NATO bases in Denmark. Danish officials are particularly anxious to avoid an exchange of notes with the USSR on the base question.

LATIN AMERICA

3. Non-delivery of American tanks may have serious repercussions in Venezuela: Ambassador Warren believes that the contemplated delay in delivering promised M-18 tanks would be "disastrous" for US-Venezuelan relations, and would be especially unfortunate now in view of the recent publicity on MSA shipments to other Latin American countries. He points out that the recent improvement in the Venezuelan Government's attitude toward the United States hinged on convincing the Junta that everything possible was being done to obtain military equipment. [redacted]

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Comment: Until March of this year, when the US offered to supply the M-18's, Junta strong-man Perez Jimenez and Chief of Staff Moreno had been extremely resentful of what they considered virtually wilful neglect of Venezuela's military requirements, and of US delay in fulfilling prepaid contracts. Furthermore, the Junta reportedly has felt that it must obtain late-model equipment to maintain its prestige within the army. In signing the contract for M-18's instead of the desired heavier, newer tanks, Venezuela apparently made some concessions to the "realities" of the military supply situation, but had counted on quick delivery.

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